

WEEKLY ECONOMIC REVIEW

APRIL 15, 2005

The U.S. merchandise trade deficit reached a record high of \$61 billion in February, above the consensus forecast of \$59 billion. Despite the large trade deficit, foreign appetite for U.S. securities continued in February, helping the U.S. dollar to gain against most major currencies. Earlier in the week, forecast downgrades to both European Union and Japanese growth, as well as favourable interest rate spreads for the U.S., supported the greenback.

Strengthened energy prices gave support to Canadian exports in February, as they rebounded 1.4% after January's decline of 1.2%. Political uncertainties surrounding the possible fall of the government, as well as the recent decline in oil prices seemed to outweigh the positive trade data in pushing the Canadian dollar lower this week.

The Bank of Canada maintained its overnight target rate at 2.5% on Tuesday. With the strong dollar continuing to weigh on exports, the Bank of Canada lowered its forecast for Canadian growth in 2005 from 2.8% to 2.6%, although it also cited increasing evidence that the Canadian economy is adjusting to global developments. Markets still expect the

Cdn Dollar (US¢/CS)		
↓	Apr 15, 2005	80.5¢
	Apr 8, 2005	81.7¢
	2005-06 YTD	81.4¢
WTI Oil \$US/bbl		
↓	Apr 14, 2005	\$51.13
	Apr 7, 2005	\$54.11
	2005-06 YTD	\$54.04
Nymex Natural Gas \$CS/mcf*		
↓	May Contract	
	Apr 15, 2005	\$8.65
	Apr 8, 2005	\$8.99
*estimate based on Nymex Futures Market Price		

Bank of Canada to refrain from interest rate hikes until the second half of 2005.

Alberta manufacturing shipments continued to show strength in February with shipments up an impressive 22.6% from a year ago.

Oil prices fell again on Friday morning, after a brief rise during Thursday trading due to increased demand for heating oil in Europe and Latin America. Strong U.S. inventories, along with expected increases to OPEC production and some speculation of softer demand for oil in both the U.S. and China were responsible for the lower prices this week.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date ¹
International Merchandise Trade (\$ millions)	February			
Exports	36,537	1.4%	6.5%	9.1%
Imports	31,692	-0.2%	9.7%	13.0%
Trade Balance	4,845	13.1%	-10.6%	-12.2%
Manufacturing Shipments (\$ millions)	February			
Alberta	5,029	1.7%	22.6%	23.7%
Canada	51,370	-0.5%	10.8%	11.7%

Source: Statistics Canada

¹Year-to-date 2005 compared to the same time period in 2004. For example: January-February 2005 versus January-February 2004

Alberta Finance